



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS  
COMMISSIONER

### BILL ANALYSIS

**BILL NUMBER:** SB 901 (S-2)  
**TOPIC:** Mandates Actuarial Opinion/Summary with Annual Statement for Property and Casualty Insurers  
**SPONSOR:** Senator Alan Sanborn  
**CO-SPONSORS:** None  
**COMMITTEE:** Economic Development and Regulatory Reform  
**Analysis Done:** November 10, 2009

### POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation with amendments.

### PROBLEM/BACKGROUND

The National Association of Insurance Commissioners (NAIC) Accreditation Team conducts reviews of each state-regulator member every five years. The reviews are conducted to determine if a state's laws meet the standards agreed to by all other state-regulator members. If the state's laws and regulations meet the NAIC accreditation standards, that state's domestic insurance companies are only required to file their financial statements with their home state and not in each state in which they do business. That state can be assured that a company domiciled in another accredited state meets all of that state's standards, as well. The accreditation process saves the states and the insurance companies' time and money.

If Michigan were to lose its accreditation from the NAIC, then Michigan-domiciled insurers would have to file financial statements with all the states in which they do business and be examined on a regular basis by those states.

This legislation adopts language similar to the NAIC Property and Casualty Model Opinion standards required by the NAIC accreditation process to assure that other states accept Michigan's examination results.

## **DESCRIPTION OF BILL**

The proposed change in Chapter 10 of the Insurance Code of 1956, 1956 PA 218, MCL 500.100 et seq., requires property and casualty insurers to file a Statement of Actuarial Opinion and Actuarial Summary with their annual reports. An Actuarial Report and/or workpapers must be prepared to support each Actuarial Opinion. The Statement of Actuarial Opinion is a public document. The Actuarial Opinion Summary and Actuarial Report and/or workpapers are confidential documents. If the property or casualty insurer fails to provide a supporting Actuarial Report and/or workpapers at the request of the commissioner or if those documents are unacceptable, the commissioner may engage an actuary to review the opinion and prepare the supporting Actuarial Report and/or workpapers.

## **SUMMARY OF ARGUMENTS**

### **Pro**

This legislation specifies that the commissioner may hire an actuary at company expense if the property and casualty insurer's actuary fails to prepare the Actuarial Report and/or workpapers or if the Actuarial Report and/or workpapers prepared are unacceptable. The legislation specifies what must be included in a property and casualty insurer's filing regarding all actuarial opinion documents.

This legislation adopts language similar to the NAIC Property and Casualty Model Opinion standards required by the NAIC accreditation process to assure that other states accept Michigan's examination results.

In addition, annual filing of the Actuarial Opinion Summary will provide regulators with vital information about the actuary's range of reasonable estimates and/or point estimates for loss and loss adjustment expense reserves. With this information provided annually, regulators will be able to detect companies in need of further examination or regulatory intervention in a timely manner.

The confidentiality of the Actuarial Opinion Summary and the Actuarial Report and/or workpapers preserves insurance companies' interest in not sharing certain facts and figures with competitors while permitting regulators and appointed actuaries access to vital information.

### **Con**

If not adopted, this proposed change would significantly jeopardize OFIR's NAIC accreditation. It is very important to our Michigan insurance industry that OFIR retain its accreditation. Within the state regulatory system, other state insurance departments rely on the work of the domiciliary regulator to continually monitor and regulate domestic insurers. The other state insurance departments rely on the regulatory oversight such as the examinations performed by the domiciliary state. This process minimizes duplicative effort for insurance departments and insurers by preventing the need for 50 separate financial examinations or analyses. It saves the states and the insurance companies both time and money. If Michigan does not retain its

accreditation, it could subject our Michigan domestic insurers to multiple examinations or an inability to write business in other states.

### **FISCAL/ECONOMIC IMPACT**

OFIR has identified the following revenue or budgetary implications in this bill:

(a) To the Office of Financial and Insurance Regulation: While there are no direct budget or revenue implications for OFIR, if the change is not implemented, Michigan could lose its accreditation.

Budgetary:

Revenue:

Comments:

(b) To the Department of Energy, Labor & Economic Growth: None

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None

Comments:

### **OTHER STATE DEPARTMENTS**

None known.

### ANY OTHER PERTINENT INFORMATION

An S-2 will be before the Senate Committee on Economic Development and Regulatory Reform that if adopted, will amend the bill as follows:

- Chapter 8 will be amended versus Chapter 10
- Page 1, Line 5, delete "opinion" and insert "STATEMENT"
- Pages 2, line 16, strike "provided" and insert "FILED"
- Page 2 line 17 after "statement" insert "IN ACCORDANCE WITH MCL 500.438 AND"...
- Page 4 lines 13-14, strike July 1, 2010 and insert "JANUARY 1, 2010."

### ADMINISTRATIVE RULES IMPACT

OFIR has general rulemaking authority under the Insurance Code of 1956, 1956 PA 218, MCL 500.100 et seq.



Ken Ross  
Commissioner

11-10-09

Date